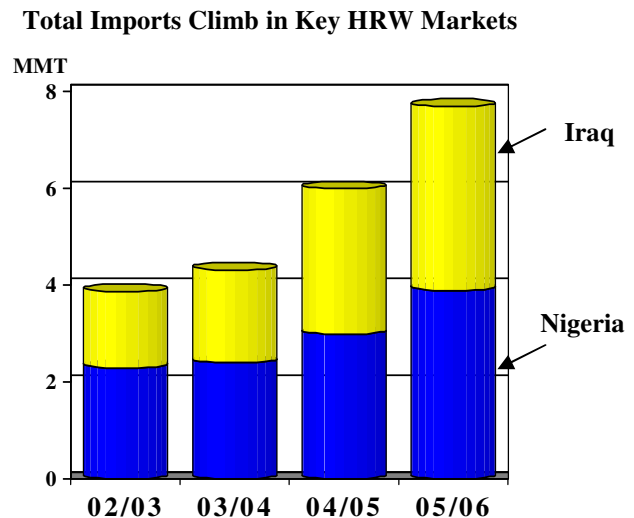
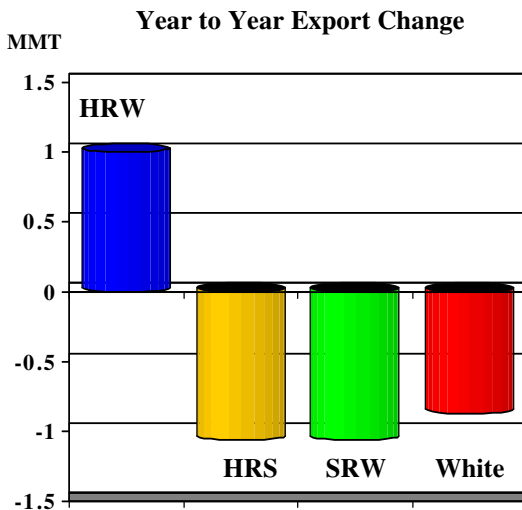


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## WHEAT: WORLD MARKETS AND TRADE

### MONTHLY HIGHLIGHTS:

**U.S. Exports Up; HRW Exports Strong:** Exports of most U.S. wheat classes (Hard Red Spring, Soft Red Winter, White) are expected to drop this year, in large part due to smaller Chinese purchases. Hard Red Winter sales, however, are very robust and exports are forecast up one million tons year to year, primarily on increased buying in two key markets, Nigeria and Iraq (which so far this marketing year account for 46 percent of total HRW commitments). Total imports in both of these countries have climbed, nearly doubling in the past 2 years. In Nigeria, milling capacity has expanded and domestic consumption has surged as prices of other foodstuffs have risen faster than flour (see article). In Iraq, imports have jumped with larger government purchases and the modest beginnings of stock rebuilding. Also, with the reopening of commercial sales, the United States has recently gained market share on the historically dominant supplier, Australia.

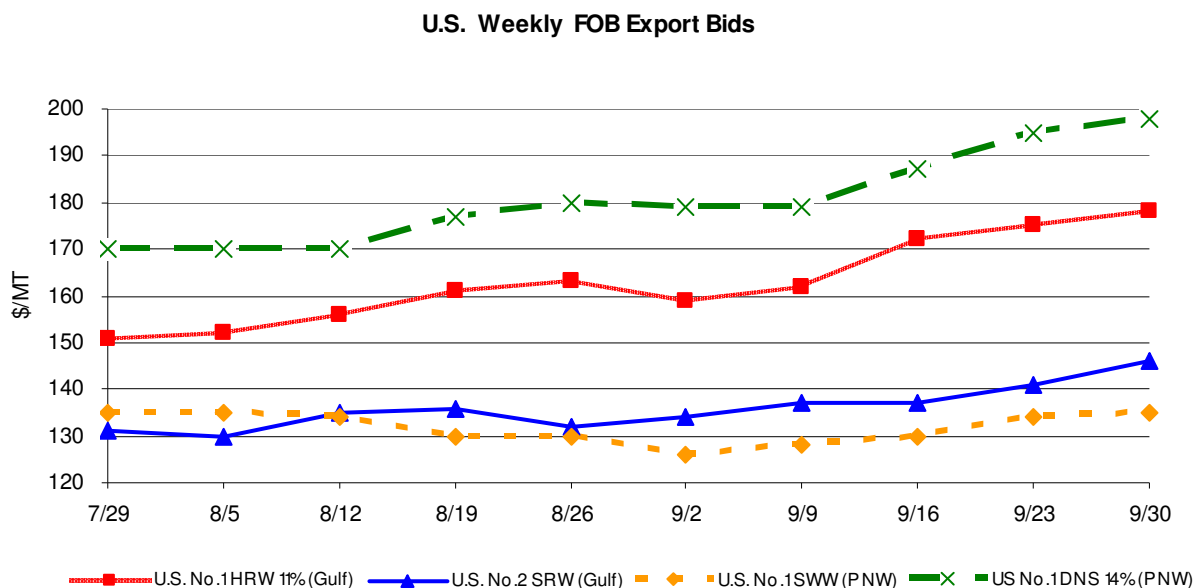


**EU Wheat Licenses Lag Last Year's Level Despite Subsidies:** EU common wheat and durum export licenses as of October 6 are nearly 20 percent (0.7 million tons) behind last year's pace, even with subsidies ranging from 4 to 8 euros per ton. At this point last season there were no subsidies available for export licenses. One of the major reasons for lagging sales is very strong competition from cheaper Russian wheat (recent prices have been \$12 below French), exports of which are expected to reach the second highest level in history. With shipments to the EU capped by quota, an even larger percentage of Russian wheat is being sold into North African and Middle Eastern markets.

### PRICES:

**Domestic:** Prices were up sharply in September, especially for high-quality wheats, on strong domestic milling demand as well as robust foreign purchases, particularly of Hard Red Winter.

For the month, HRW prices surged by \$19 per ton, HRS was up \$20 per ton, with SRW up \$12 and SWW up \$9.



## **TRADE CHANGES IN 2005/2006**

### **Selected Exporters**

- **Argentina** is down 200,000 tons to only 6.8 million, about half of last year's level, as production is forecast to drop to the lowest level in a decade.
- **Australia** is up 500,000 tons to 16.0 million tons on higher production. Also, Australia could benefit from smaller Argentine competition into Asian and East African markets.
- **Kazakhstan** is down 500,000 tons to 3.5 million as the production estimate is lowered this month and there are concerns about quality.
- **EU-25** is down 500,000 tons to 14.5 million due to tightening grains supplies and very strong Russian competition in key Mediterranean markets.
- **Romania** is raised 200,000 tons to 500,000 tons as production is raised and carryin stocks are large.
- **United States** is increased by 1.0 million tons to 27.5 million because of less expected competition from high-quality Canadian supplies, as well as strong import growth in key markets (especially Iraq and Nigeria).

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### **Selected Importers**

- **China** is down 500,000 tons to 2.5 million on very sluggish early season purchases in light of a harvest estimated to be nearly 9 million tons larger than 2 years ago (when China began its aggressive import program).
- **EU-25** is up 500,000 tons to 7.2 million. Continued strong durum and spring wheat demand, as well as continued low and medium quality imports under the quota, should result in total imports being as high as last year.
- **Iraq** is up 500,000 tons to 3.8 million in light of increased government purchases and expected stock rebuilding.
- **Nigeria** is increased by 500,000 tons to a record 3.9 million given very strong consumption growth and large early-season purchases and imports
- **Russia** is down 200,000 tons to 1.0 million with smaller expected imports of high-quality wheat from Kazakhstan.

### **TRADE CHANGES IN 2004/2005**

#### **Selected Exporters**

- **EU-25** is up 900,000 tons to 14.4 million with strong late-season shipments, especially to North Africa.

#### **Selected Importers**

- **Algeria** is up nearly 500,000 tons to 5.4 million because of strong late-season imports in the face of a much smaller new crop.